

FISCAL NOTE

Bill #: HB0582

Title: Increase gambling machines to fund alternative education

Primary Sponsor: Juneau, C

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	\$0	\$0
State Special Revenue	\$0	\$0
Revenue:		
General Fund	\$0	\$0
State Special Revenue	\$1,429,375	\$1,429,375
Net Impact on General Fund Balance:	\$0	\$0

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Justice

1. Seventy-five percent of the licensed locations with the current maximum number of machines permitted will add the two additional machines authorized by this bill. At the end of FY 2002 there were 369 locations with the maximum number of machines allowed. There will be 554 additional machines offered for play ($369 \times .75 = 277 \times 2$ machines = 554).
2. The reported gross income from these machines will be the statewide FY 2002 average of \$16,534. The average reported gross income by machine for locations with twenty or more machines was \$27,847 in FY 2002. However, the division will not assume that additional machines will cause the supply of gambling dollars to be played to increase; rather, the more conservative statewide average was used. The projected additional revenue to the alternative education support account collected upon passage of this bill will be \$1,373,975 per year ($554 \text{ new machines} \times \$16,534 \text{ average income} = \$9,159,836 \text{ gross income} \times 0.15 \text{ gambling machine tax rate} = \$1,373,975$).

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(continued)

3. There will be 554 new machine permits sold, increasing gambling state special revenue by \$55,400 per year (554 x \$200 machine permit = \$110,800). One half or \$55,400 will be distributed to the gambling state special revenue account and the other half will be distributed to local governments.
4. The department assumes it will be able to administer the provisions of this bill without a measurable increase in expenditures.

Office of Public Instruction

5. The money deposited in the alternative education account will be appropriated by the Legislature and allocated for alternative education programs in school districts that have a dropout rate that is in excess of the statewide average dropout rate.
6. Based on dropout counts reported to the Office of Public Instruction in October 2002, the average dropout rate for 7-12th grade is 2.7 percent statewide. The dropout rate for 9-12th grade programs is 3.8 percent. The dropout rate in 7-8th grade programs is 0.4 percent.
7. In October 2002, 67 school districts reported dropout rates that exceeded 2.7%.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$0	\$0
State Special Revenue (02)		
Alternative Educ Support Acct	\$1,373,975	\$1,373,975
Justice-Gambling Control Div	\$55,400	\$55,400
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	\$0
State Special Revenue (02)	\$1,429,375	\$1,429,375

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local government jurisdictions receive 50 percent of the video gambling machine permit fees collected by the department (50 percent of the \$200 fee). If the number of machine permit fees sold increases as projected, local governments will receive another \$55,400 per year in machine fees.

TECHNICAL NOTES:

1. The Department of Justice notes that there is no direction in the bill to aid in determining which machines would be considered the additional two machines, tax collections from which are to be distributed to the alternative education support account. Income reported by machine in a location can vary substantially as could the tax distributed to the new fund. The department suggests as an alternative that a factor be determined and added to the bill fixing the amount allocated as a percentage of the total collected. Using the department's assumptions, that factor would be 3.14 percent of the total video gambling machine tax collected (\$1,373,975 estimated increase / \$43,666,000 collected in FY 2002 = 0.0314).
2. OPI notes that there is no definition of alternative education programs in state statute or the Administrative Rules of Montana.